

**New Jersey State Health Benefits Commission
September 5, 2006 Meeting**

State Health Benefits Program (SHBP)

Recommended Plan Year 2007 HMO Rate Renewal

- For Plan Year 2007, Aon recommends an 11.5% average increase in HMO premium rates for Active Employees and Retirees of the State Group and a 5.2% average increase in HMO premium rates for Active Employees and Retirees of the Local Employer Group, broken down as follows:

HMO	<u>State</u>		<u>Local Employer</u>	
	<u>Actives</u>	<u>Early Retirees</u>	<u>Actives</u>	<u>Early Retirees</u>
Aetna	13.8%	13.8%	5.9%	5.9%
CIGNA	11.5%	11.5%	5.3%	5.3%
Oxford	4.5%	4.5%	7.8%	7.8%
AmeriHealth	11.1%	11.1%	5.1%	0.0%
Health Net	5.5%	5.5%	3.9%	3.9%

HMO	<u>Medicare-Eligible Retirees</u>	<u>Medicare-Eligible Retirees</u>
Aetna	4.6%	0.0%
CIGNA	0.0%	0.0%
Oxford	15.0%	15.0%
AmeriHealth	0.0%	0.0%
Health Net	0.0%	0.0%

- As was true for Plan Year 2006, Aon recommends different HMO premium rate increases for the State and Local Employer Groups, due to significant differences in experience.

- The recommended renewal assumes:
 - Increase in office visit copays from \$5 to \$10 for the Local Employer Group (State Group copays are already \$10), and
 - Duplication of coverage under the SHBP will not be permitted in Plan Year 2007.
- Since the implementation of Mandatory Generics and Mandatory Mail-Order Service has been deferred, the cost projections and rates shown in the renewal report do not reflect any impact from Mandatory Generics or Mandatory Mail-Order Service.
- The recommended Plan Year 2007 HMO renewal premium rate adjustments for Medicare-Eligible Retirees reflect the anticipated impact of the Medicare Part D Retiree Drug Subsidy (\$688 per Medicare-Eligible individual).
- Since the projected cumulative surplus for the Local Employer Group is projected to reach the target level of 2 months of plan costs by the end of Plan Year 2006, there is no margin in the Plan Year 2007 recommended rates and they are projected to result in neither loss nor gain for Plan Year 2007.
- MH/SA is capitated under some SHBP HMOs and on a discounted fee-for-service arrangement under others. Aetna changed from capitation to discounted fee-for-service on 1/1/2006. CIGNA has proposed moving from capitation to discounted fee-for-service for Plan Year 2007 and Aon recommends that the SHBP make this change. This eliminates an otherwise required rate increase of 1.7% and should save the SHBP approximately \$2 million in Plan Year 2007.